

Message Text

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PAGE 01 ROME 00958 211033Z

63

ACTION EUR-12

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E.O. 11652: DECONTROL AFTER ONE YEAR

TAGS: ELAB, EGEN, IT

SUBJECT: EMERGENCY PROPOSALS FOR HARD-HIT INDUSTRIES

1. SUMMARY. ACTING PRIME MINISTER MORO AND A NUMBER OF HIS COLLEAGUES AGREED INFORMALLY ON JANUARY 16 TO PROPOSE EMERGENCY FINANCING THROUGH THE STATE HOLDING COMPANY GEPI FOR A NUMBER OF MULTI-NATIONAL AND ITALIAN FIRMS WHICH ARE EXPERIENCING DIFFICULTY. WHILE THIS INITIATIVE IS FURTHER INDICATION OF THE IMPROVED CLIMATE BETWEEN THE DC AND THE UNIONS, SOCIALIST CRITICS ARE SUGGESTING IT IS A PURELY ELECTORAL MANEUVER. END SUMMARY.

2. AN INTER-MINISTERIAL MEETING WAS HELD JANUARY 16 AT THE REQUEST OF MINISTERS OF INDUSTRY AND LABOR DONAT-CATTIN AND TOROS TO DISCUSS THE SERIOUS SITUATION IN A NUMBER OF INDUSTRIAL FIRMS AFFECTING THE EMPLOYMENT OF MORE THAN 17,000 ITALIAN WORKERS.

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PAGE 02 ROME 00958 211033Z

IN ADDITION TO ACTING PRIME MINISTER MORO, LA MALFA (DEPUTY

PRIME MINISTER), ANDREOTTI (BUDGET), COLOMBO (FINANCE), AND BISAGLIA (STATE INDUSTRIES) ALSO PARTICIPATED. IN VIEW OF THE URGENT NEED TO ACT EVEN BEFORE THE RESOLUTION OF THE CURRENT POLITICAL CRISIS, IT WAS DECIDED TO ARRANGE EXTRAORDINARY FINANCING THROUGH THE GOVERNMENT HOLDING COMPANY GEPI TO ASSIST THE AFFECTED FIRMS.

3. A NUMBER OF MULTINATIONAL FIRMS ARE CONCERNED. THESE INCLUDE LEYLAND-INNOCENTI (4500 EMPLOYEES), DUCATI (2500), SINGER (2000), TORRINGTON (550), ANGUS (450) AND HARRIS MODA (1800). IN ADDITION TO THESE 11,000 ENDANGERED JOBS WITH MULTINATIONAL COMPANIES, A NUMBER OF PURELY ITALIAN FIRMS ARE ALSO IN DIFFICULTY. THESE INCLUDE ORSI MANGELLI (1350), LA FAEMA (1350), LANDIS (800) AND SMALTERIE (1900). ALL OF THE AFFECTED FIRMS HAVE EXHAUSTED THEIR WAGE SUPPLEMENT FUND (WSF) COVERAGE. IF GEPI IS ENABLED TO FIND BANK FINANCING (SINCE ITS FUNDS ARE ALSO EXHAUSTED), THE AFFECTED FIRMS WOULD BE GIVEN RENEWED WSF COVERAGE FOR THEIR EMPLOYEES AND ENCOURAGED TO CONVERT THEIR PRODUCTION LINES TO PRODUCTS WHICH MAY HAVE MORE MARKET POTENTIAL.

4. THIS GOVERNMENT GESTURE HAS BEEN INTERPRETED BY SOME AS AN INDICATION OF THE INCREASINGLY CLOSER RELATIONS BETWEEN THE CHRISTIAN DEMOCRATIC PARTY AND THE ITALIAN LABOR MOVEMENT. CRITICS, HOWEVER, SUCH AS GIORGIO BONVENOTTO (SOCIALIST) OF THE UIL METAL WORKERS UNION, HAVE CALLED THE INTER-MINISTERIAL PROPOSAL "PURE ELECTORAL PROPAGANDA".

5. IN ADDITION TO THE SUBJECT INTER-MINISTERIAL PLAN, FIAT HAS PROPOSED ITS OWN SALVATION OPERATION FOR THE BRITISH MULTINATIONAL LEYLAND-INNOCENTI. THE FIAT PROPOSAL WOULD INVOLVE GEPI SUBSIDIZATION OF LEYLAND-INNOCENTI FOR A PERIOD OF TWO YEARS DURING WHICH PLANT FACILITIES WOULD BE RECONVERTED FOR THE ASSEMBLY OF MINI BUSES AND TRUCKS. BOTH THE UNIONS AND GEPI MANAGEMENT ARE OPPOSED, HOWEVER, TO THE FIAT PROPOSAL. THEY SAY THE FIAT PLAN IS TOO COSTLY; IT WOULD CREATE EMPLOYMENT FOR ONLY 1800 OF THE 4500 AFFECTED EMPLOYEES (3100 BY 1980 AND IT WOULD CONSTITUTE A GIFT BY A STATE OWNED ENTITY TO A PRIVATE FIRM.

6. THE LEYLAND-INNOCENTI CASE WAS OBVIOUSLY BADLY HANDLED BY THE LIMITED OFFICIAL USE

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PAGE 03 ROME 00958 211033Z

UNIONS. BRITISH LEYLAND HAD PROPOSED SEVERAL MONTHS AGO TO RETAIN 3000 EMPLOYEES AND PUT THE OTHER 1500 UNDER EXTENDED WSF COVERAGE. WHEN THE UNIONS REJECTED THIS PROPOSAL LEYLAND DECIDED TO PULL OUT OF ITALY. IN THE MEANTIME ALL 4500 LEYLAND INNOCENTI EMPLOYEES HAVE BEEN WITHOUT PAY SINCE NOVEMBER WHEN THE PLANT WAS OCCUPIED BY THE WORKERS.

7. COMMENT. WHATEVER THE VALIDITY OF THE CHARGE THAT THE

GOVERNMENT'S DECISION IS MOTIVATEED BY ELECTORAL CONSIDERATIONS,
THE FACT IS THAT THE UNIONS HAVE LONG BEEN CLAMORING FOR
THIS KIND OF GOVERNMENTAL INTERVENTION TO PRESERVE JOBS.

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